

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
FINANCIAL ASSISTANCE DIVISION**

1800 Third Street, Suite 390
P. O. Box 952054
Sacramento, CA 94252-2054
(916) 322-1560
FAX (916) 323-6016

**CDBG****Community Development Block Grant Program****MANAGEMENT MEMORANDUM****Memorandum Number 06-12****TO: Eligible Jurisdictions and Interested Parties****DATE: February 2, 2007****SUBJECT: 2006 Grant Management Training Questions and Answers****Purpose of this Memo:**

This memorandum is to provide guidance to the questions posed at various grant training workshops.

Eligibility of Using HOME and CDBG combined Procurement Process when hiring program operators and grant administrators:

Question: When hiring a consultant for implementation of a housing rehabilitation or home buyer assistance program, can one Request For Proposals (RFP) and Procurement Process be used for HOME and CDBG funding?

Answer: Yes, because CDBG and HOME have the same federal procurement standards than one RFP can be used to hire a program operator for administering a housing rehabilitation or home buyer assistance program that uses both State CDBG and or HOME funds. Both programs recommend doing procurement for each grant award. The procurement process can cover both administration of housing loan programs under an open grant agreement and for program income funded activities.

Use of Subrecipient Agreements:

Question: If a grantee is using the same subrecipient for implementation of housing rehabilitation and home buyer assistance programs, then do they need separate subrecipient agreements for each.

Answer: No, per Chapter 2 of the CDBG manual a Subrecipient Agreement must have a specific scope of work and budget for each activity proposed. There is no limit to the length of time of the agreement, it can cover several grants and include program income activities as well. We suggest working closely with a CDBG representative when developing a subrecipient agreement to ensure compliance with regulations.

Eligible Uses of Program Income Reuse Plan Revolving Loan Accounts (RLAs):

Question: Can a Public Service Revolving Loan Account (RLA) be established?

Answer: Yes, any eligible CDBG activity can be established as an RLA but this type of “non-traditional” RLA might be very difficult especially when developing loan guidelines for public service program operators. At this time there are no grantees that are operating this type of RLA. If a grantee wishes to set one up then they must work closely with their CDBG representative. Past practices have shown that It is best to do these types of non revolving activities by committing local program income to existing public service activities under open grants.

Fiscal Reporting For 2005 General Allocation Multi-Year Grants:

Question: If a grantee was awarded \$1,500,000 for three allocation years under the 2005 general allocation, do they submit one Financial and Accomplishment Report (FAR) and a corresponding funds request form that showing all three years of funds on them?

Answer: No, for 2005 multi year grants, the grantee must refer to the 2005 grant agreement, Exhibit B for guidance on budget amounts for FARs. Specifically, look at how the grant agreement breaks down the award by “fiscal budget year” as shown in Exhibit B, page 1 Budget Detail and Payment Provisions Section. The fiscal budget year runs from July 1 to June 30. Each separate fiscal budget year has activities with budget amounts and this information must be shown and reported on within a FAR and the corresponding funds request form.

Using the example given above, the grant agreement shows the award of \$1,500,000 broken down over three fiscal years (2005/2006, 2006/2007, 2007/2008). The fiscal budget year 2005/2006 in Exhibit B shows funds for general administration and housing rehabilitation activities totaling \$500,000. Therefore, this grantee would submit FARs and corresponding funds request forms showing these exact budget numbers and activities for the fiscal budget year. FARs and funds request forms are each numbered sequentially.

For the second fiscal budget year, 2006/2007 funds were not able to be requested from the State until July 1, 2006. Fiscal reporting starts on the date funds are available. So on December 31, 2006, a FAR is due which reflects the budget and activities for 2006/2007, as shown in Exhibit B of the grant agreement. This second fiscal budget year FAR and it's corresponding funds request form are submitted along with the FAR for the first fiscal budget year described above and all FARs and funds request forms are number sequentially so they can be differentiated.

For the third fiscal budget year, 2007/2008, as shown in the grant agreement Exhibit B, a FAR and funds request form needs to be submitted starting July 1, 2007. The first FAR period for this fiscal year budget will be from July 1, 2007 to December 31, 2007. The FARs and funds request forms for this fiscal budget year will be numbered sequentially with the other two FARs from the previous two fiscal budget years.

Question: Where does a grantee write in the fiscal year being reported on, when submitting different FARs and funds request forms for the different fiscal budget years, as shown in Exhibit B of the grant agreement?

Answer: All FARs and funds request forms for the 2005 multi year grants must show the fiscal budget year being reported on in the report's **Comment section**. The comment section is located on the second page of the FAR and is located at the bottom of the funds request form.

Question: If a grantee has expended all the CDBG funds under a fiscal budget year, must they continue to submit FARs and funds request forms?

Answer: No, once all the funds for all the activities under a given fiscal budget year are expended, requested from the State and received, then no further fiscal reporting is required. Similar to the directions above, please indicate in the **Comment section** of each final report that it is the last report for that specific fiscal budget year.

Question: When completing the FAR does the grantee divide up leverage amounts shown in Exhibit B so it is spread over each of the fiscal year FARs?

Answer: No, the types and full amounts of leverage shown in Exhibit B will be shown the same on each FAR regardless of the fiscal year that is being reported on.

Use of PI in Entitlement Communities:

Question: Can a State non-entitlement jurisdiction use its program income in a HUD entitlement Jurisdiction for an eligible CDBG activity?

Answer: Yes, but only for certain types of activities. HUD does not allow non-entitlement funds (open grant or program income) to be used in entitlement communities for "direct assistance" loan programs (i.e. housing rehab loans). They consider this "double dipping". However, if an entitlement community is offering a public service or developing a community facility which will: 1) serve the community development needs of the non-entitlement jurisdiction; 2) benefit low income residents of the non-entitlement, then on a case by case basis the State may approve the use of non-entitlement funds in entitlement communities. Written approval must be obtained from State CDBG staff prior to committing any non-entitlement funds to an activity in an entitlement community.

For Further Information:

The CDBG web site has the current grant management manual for more information and references. Contact the appropriate CDBG representative for your community to obtain further clarification on these issues. See attached list for current CDBG representative assignments and contact numbers.